

ANNEX Pt 12

FEI™ GENERAL ASSEMBLY

13 November 2022, Cape Town(RSA)

FEI PROFIT & LOSS STATEMENT

		2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 BUDGET	2023 BUDGET
		Audited	Audited	Audited	Revised	
ACC No	REVENUES					
60	COMMERCIAL REVENUE					
600 6000-19	SPONSORSHIP REVENUE	27 021 941	10 443 740	16 316 867	22 586 158	23 107 699
602 6020-30	BROADCAST REVENUE	3 014 406	1 362 804	3 516 186	1 393 931	1 018 100
604 6040-50	DIGITAL CAMPAIGNS/SERVICES/LICENSING	10 296	6 062	74 925	641 680	828 280
	TOTAL COMMERCIAL REVENUE	30 046 642	11 812 605	19 907 978	24 621 769	24 954 079
61	OPERATIONAL REVENUE					
610 6100-09	ANNUAL SUBSCR & GA, SF REGISTRATIONS	816 939	374 750	403 457	838 000	797 500
611 6110-20	CALENDAR FEES & ORGANISING DUES	7 274 910	2 671 570	5 393 502	6 450 000	6 500 000
613 6130-32	HOSTING FEES	1 198 500	206 250	502 000	1 474 500	1 393 400
614 6140-42	HORSE & RIDER REGISTRATIONS FEES	1 322 340	1 019 210	1 319 920	1 397 000	2 075 000
615 6150	PASSPORTS & CHANGE OF NAMES	4 573 281	3 244 196	4 304 060	4 250 000	4 000 000
616 6160-63	FINES & OTHER LEGAL CONTRIB.	388 098	1 133 800	575 299	930 000	910 000
617 6170	ANTI-DOPING & WELFARE	4 472 120	2 450 644	3 611 350	3 800 000	4 300 000
	TOTAL OPERATIONAL REVENUE	20 046 187	11 100 420	16 109 587	19 139 500	19 975 900
62	NON-OPERATIONAL REVENUE					
620 6200	IOC CONTRIBUTION	2 830 895	0	16 266 000	3 000 000	3 500 000
630 6300	IOC/IF DEVELOPMENT PROGRAMME	70 000	68 600	64 400	70 000	70 000
640 6400	RENTAL REVENUES	628 712	634 317	525 485	481 344	500 000
660 6610-19	OTHER REVENUE	90 465	78 786	99 295	55 000	55 000
670 6700	CONTRIBUTION FROM FUNDS	532 927	1 116 513	1 564 144	2 768 525	3 130 139
6701	PROVISION RELEASE	202 641	76 394	0	4 119 210	2 026 378
	TOTAL NON-OPERATIONAL REVENUE	4 355 639	1 974 610	18 519 324	10 494 079	9 281 517
	TOTAL NET REVENUES	54 448 469	24 887 634	54 536 890	54 255 347	54 211 496
ACC No	EXPENSES					
50	COMMERCIAL EXPENSE					
500 5000-09	SPONSORSHIP EXPENSE	17 686 911	4 601 838	8 003 797	17 014 972	15 178 880
502 5020-49	BROADCAST EXPENSES	4 835 078	2 674 350	4 126 244	4 793 188	4 981 490
505 5050-60	DIGITAL CAMPAIGNS/SERVICES/LICENSING	430 412	96 746	142 487	602 392	571 210
	TOTAL COMMERCIAL EXPENSE	22 952 401	7 372 933	12 272 528	22 410 552	20 731 580
51	OPERATIONAL EXPENSES					
510 5100-09	PROFESSIONAL FEE/CONSULTING	4 265 323	3 204 760	3 637 692	4 798 262	5 121 712
520 5200-02	EDUCATION	553 030	339 518	310 986	1 123 000	818 225
525 5251-59	PRINTING EXPENSES	93 813	164 563	103 396	120 000	145 000
530 5300	INTEGRITY UNIT	299 915	191 687	215 600	350 000	350 000
534 5357	VETERINARY RESEARCH	187 439	1 126	96 579	275 000	395 000
535 5351-56	ANTI-DOPING & WELFARE	3 633 504	1 879 144	2 802 650	3 965 000	4 350 000
536 5361-65	SOLIDARITY	1 009 144	783 377	752 690	1 660 233	1 820 139
	TOTAL OPERATIONAL EXPENSE	10 042 169	6 564 175	7 919 594	12 291 495	13 000 076
54	GENERAL & ADMINISTRATION EXPENSES					
540 5400-29	STAFF CHARGES	14 817 920	12 678 598	14 244 069	15 967 871	16 830 760
550	TRAVEL & EXPENSES					
5500	-FEI Staff	758 664	159 268	514 904	696 275	873 025
5501	-Others	1 309 558	414 010	675 789	1 057 100	1 256 206
560 5600-50	FACILITIES CHARGES	478 561	353 312	377 436	431 000	464 000
570 5700-02	GENERAL SERVICES	292 609	177 726	143 153	189 500	222 000
575 5750-52	TROPHIES & MEDALS	170 945	51 330	88 217	169 699	197 350
577 5770	INSURANCE	94 856	119 642	111 956	123 000	115 000
580 5800-05	DEPRECIATION	119 308	141 087	170 440	211 000	217 000
591 5910-11	TAX	55 895	107 146	132 084	55 000	55 000
595 5950	ALLOCATION TO FUNDS	2 930 188	725 942	15 287 012	95 000	70 000
597 5970-79	OTHER EXPENSES	659 155	260 306	405 755	11 000	19 500
597 5980	SPECIAL PROJECTS	638 780	166 630	1 222 776	398 000	310 000
	TOTAL GENERAL & ADMINISTRATION EXPENSE	22 326 438	15 354 997	33 373 590	19 404 445	20 629 841
	TOTAL EXPENSES	55 321 008	29 292 105	53 565 712	54 106 492	54 361 496
650 6500-35	FINANCIAL REVENUES NET	3 070 358	-527 062	2 711 325	0	150 000
	NET RESULT	2 197 819	-4 931 532	3 682 503	148 855	0

Comments to 2023 FEI budget

(all numbers in `000 CHF unless otherwise specified)

Dear President, Members of the Board, Secretary General,

Please find attached the 2023 Budget for the FEI. First, we would like to give a foreword on the budget process in these particular conditions we are facing.

In view of the development of the economic situation in Europe and in the USA following the war in Ukraine, with energy prices sky rocketing, the inflation and the tightening of credit conditions by central banks, we are afraid economies around the world will turn into a recession in 2023. In many European countries, energy prices on the free market have been multiplied by a factor 10. Some companies have had no other choice but closing down, as they cannot face such an increase. Some owners of these small to mediums size companies are horse owners and might face increasing difficulties maintaining stables in such an environment. We are also concerned that organisers, athletes and other stakeholders may face hardship during the coming season, with the general inflation and energy cost increase situations. Consequently, we are concerned that both, participation at events and number of events organized could be much lower in 2023. We have therefore decided to take a conservative approach for the operational revenues for 2023 and reduced some revenue assumptions by 10% compared to 2019. This concerns Organising dues, passports, registrations and EADMCP fees.

By reducing revenues expectations, and with the goal of presenting a balanced budget, we had to do a thorough examination of our expenses and reduce them whenever possible to achieve that goal. Nonetheless, expense reductions were not enough to balance the budget; therefore, we are proposing to release money from IT funds and from various provisions in the amount of 3002 to achieve that goal. Explanations and details for that process are given in the below comments.

We are not in a crisis at this point, but we want to be prepared for the worst as we go into 2023. We will keep a close eye on the situation and adapt, if necessary, when we revise the budget in the spring of 2023.

- **Total commercial revenues:** On the sponsorship, we budgeted according to our contracts with our sponsors. Should events be cancelled in the spring, we will have to reimburse the sponsor. However, expenses in that section are mainly related to prize money and sponsorship contributions to Organisers. Therefore, these are neutral to the p&l.
Planned revenues in that section are in line with 2022
- **Total operational revenues:** As mentioned in the introduction, we are proposing the Board to accept a 10% reduction compared to 2019 in some operational revenues (organising dues and passports). The exception in that section is the horse registrations, which is sensibly higher than previous years. This is due to the fact that, the higher horse registration fee was approved by the General Assembly in 2021 in Antwerp (BEL) for implementation as of 1 January 2023, to provide additional financing for the maintenance and further developments of the horse app.

- **Total non-operational revenues:**

- IOC Contribution: For the budget, we are proposing a yearly release to the p&l an amount of 3'500. The reasoning is that we normally release the contribution over a period of 4 years, but with the postponement of the Tokyo Games, this will now be done over 3 years, as there is one year less in this cycle.
- Contribution from funds: This section includes the portion of expenses paid by various funds: Solidarity projects (1'280) approved by the Solidarity Committee, Online Campus (210), Vet research (275) for the collaboration with Bristol =University and a footing injury study, IOC Fund (68 for Paris 2024 footing advisor, 140 for fans survey in various markets, linked to the promotion of the Olympic Games), IPC fund, classification (75), IT fund (962), related to investments in digital passport and upgrading our website platform which is now 7 years old and on the brink of being outdated.
- Provision release: In this section, in 2023 we are proposing to release the following:
 - 750 from the EADMCP provision. As you know, the anti-doping program is designed to cover its costs. With the assumption of reduced revenues in 2023, we need to release this amount to cover the indirect costs of the program such as staff charges, legal, finance and human anti-doping costs.
 - As we want to present a balanced budget we propose to release 1'290 from other provisions. They come from an old WEG provision (750) and (440) from other undefined provisions that are kept as reserves in the balance sheet.
As we are taking the cautious approach on the operational revenues, we consider it is appropriate to use these reserves to cover a deficit that we plan in the budget. Should the situation be better than anticipated in 2023, we may be able to use a lesser amount of these reserves.

- **Total commercial expenses** budget is mirroring the assumptions indicated in the commercial revenues.

- Sponsorship expenses: In line with revenues, we budgeted according to our contracts with our sponsors and with the organisers when it comes to sponsorship fees and prize money.
Following up on our cautious approach, we reduced some sponsorship expenses compared to 2022 by 500 in various different sections, by either postponing these expenses until we have a better clarity on the situation or doing savings where we thought it was appropriate. We are also helped by the drop of the EUR vs CHF when converting these expenses in CHF. However, this is not a real savings, as that same related income is in EUR as well and is also converted at a lower rate in CHF.
- Broadcast expenses: In that section, expenses are comparable to 2022. The main items in that section are the production agreement with CMH-TV (1'300) which is 1'000 less than what we had with IMG; the contractual amount we have to pay for the production of the NAL (960), TV cooperation and time-buy for the NAL (480) for which we have revenues from Longines; our pursuing investment in digital partnerships (761), and broadcast monitoring (358).

We are maintaining budgets for digital developments as we see this being the area of future growth in this new media environment, concentrating on social media platforms (Facebook, YouTube, Instagram, TikTok etc....).

- **Total operational expenses.** This section is stable compared to 2022. This section also reflects the investment and spending in technology, horse and other apps, website, social media etc...As mentioned above, we are using the IT fund (962) to pay for investments in technology.
 - Professional fee/consulting consists mainly of:
 - IT consulting (2'127) related to software, apps and further improvements to online schedules and the development of the digital passport.
 - IT hardware maintenance / servers (790), this amount is a very stable and can be considered as routine maintenance of our systems.
 - Various journalistic support, corporate photos, PR expenses, awards (700)
 - Legal fees (260)
 - FEI campus development, paid by fund (210)
 - GA contribution (200) and Legal clerks' services (282)
 - Eventing equiratings, audit, GA and SF outside services, Communications outsourcing, and footing advisor (552).
 - Anti-doping and Welfare: Expenses there reflect the revenues generated by that program, they have been adjusted to the volume of testing we are expecting in 2023 and they include (820) for human anti-doping. Also note that the total expenses in this section is slightly above the revenues but we are releasing provisions (750) to maintain the capacity to absorb the administrations costs related to the program sitting in other departments (legal, finance, human anti-doping). The FEI maintains its policy not to generate any profit from that program.
 - Solidarity: The spending reflects the drawing from Solidarity fund explained above in contribution from funds. Also note that the FEI is contributing yearly 500 to the operations of Solidarity.
- **Total General & Administrative expenses**
 - Staff charges: Compared to 2022, this number increased by 863. This increase includes the full year effect (636) of the hires/replacements done in 2022 (IT, commercial, jumping, veterinary, communications, HR. It also includes 1% increase in salaries (146), and an increased contribution to healthcare insurance costs (81) as a measure to help staff with inflation. We will also extend maternity leave to 6 months instead of currently 4 months (40).
 - Travel & Expenses: This section has been adapted to the volume of expected competitions for next year with the aim to keep them as limited as possible and using the new conferencing tools wherever possible when it comes to committee meetings. The increase reflects the higher airfares we can already see in flight tickets.
 - Allocation to funds: This represents the IF contributions from IOC (70).

All together, we are happy to present a balanced budget for 2023 and we are hopeful that the events situation will not deteriorate further than what we expect.

Claude Praz – CFO
28.09.2023